

Message Text

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71

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E.O. 11652: GDS

TAGS: ELAB, IS

SUBJ: 1974 WAGE NEGOTIATIONS

SUMMARY: WITH FORMAL APPROVAL BY HISTADRUT EXECUTIVE COUNCIL ON APRIL 23 OF WAGE POLICY FOR 1974, NEGOTIATIONS FOR NEW WAGE AGREEMENTS WILL SOON GET UNDERWAY. EMPLOYERS GENERALLY ARE IN ACCORD WITH HISTADRUT DEMANDS FOR MODERATE BASE PAY INCREASES AND IMPROVEMENTS IN SYSTEM FOR PAYING COST-OF-LIVING ALLOWANCES. HOWEVER, THEY ARE WORRIED THAT UNIONS AT INDUSTRY AND ENTERPRISE LEVELS WILL SEEK MORE THAN OFFICIAL HISTADRUT WAGE POLICY GUIDELINES PROVIDE. PRICE-WAGE SPIRAL LIKELY TO CONTINUE IN VIEW INFLATIONARY FORCES AT WORK IN ECONOMY COMBINED WITH GREATER WAGE LINKAGE TO CONSUMER PRICE INDEX. END SUMMARY.

1. MAIN FEATURES OF HISTADRUT POLICY FOR RENEWING CURRENT WAGE AGREEMENTS, OFFICIALLY CONFIRMED APRIL 23 BY ITS EXECUTIVE COUNCIL, INCLUDE:

--INCREASE IN BASE PAY, RETROACTIVE TO APRIL 1, RANGING FROM IL 50-80 PER MONTH, WITH HIGHER INCREASES FOR LOWER GRADES;
--COST-OF-LIVING ALLOWANCE INCREASE ON JULY 1, WITH ADDITIONAL INCREASE SOMETIME BETWEEN JULY AND DECEMBER DEPENDING ON RATE OF PRICE INCREASES IN SECOND HALF OF 1974;
--INCREASING THE AMOUNT OF BASE PAY ON WHICH COST-OF-LIVING ALLOWANCE IS PAID FROM IL 700 TO IL 1,000 PER MONTH, AS OF
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JULY 1;

--MINIMUM WAGE OF NOT LESS THAN ONE-HALF NATIONAL AVERAGE WAGE;
--PARTICIPATION OF WORKERS IN PROFITS THROUGH PAYMENT OF SPECIAL BONUSES;
--RENEWAL OF CONTRACTS FOR ONE YEAR ONLY, RATHER THAN USUAL TWO-YEAR PERIOD.

2. WAGE POLICY RESOLUTION ADOPTED BY HISTADRUT STATES THAT IT IS FORMULATED ON ASSUMPTION THAT GOVERNMENT DURING THIS FISCAL YEAR WILL KEEP PRICES OF 14 BASIC COMMODITIES AT CURRENT LEVELS AND WILL NOT IMPOSE ADDITIONAL DIRECT OR INDIRECT TAXES. HISTADRUT ALSO CALLED FOR TAXES ON WAR PROFITS.

3. EMPLOYERS IN PRELIMINARY TALKS WITH HISTADRUT HAVE GENERALLY AGREED ON LEVELS OF BASE PAY INCREASES AND LIBERALIZATION OF COST-OF-LIVING PAYMENTS. HOWEVER, THEY OPPOSED RE-OPENING OF SEPARATE WORK CONTRACT NEGOTIATIONS BY INDUSTRY AND ENTERPRISE FOR FEAR THAT IT WILL LEAD TO DEMANDS BYOND HISTADRUT WAGE POLICY, AS WAS CASE TWO YEARS AGO. EMPLOYERS WOULD PREFER CENTRALIZED BARGAINING WHICH WOULD BIND ALL UNIONS. HISTADRUT, HOWEVER, YIELDED TO HEAVY PRESSURES FROM HEADS OF NATIONAL UNIONS AND ENTERPRISE-LEVEL WORKS COMMITTEES FOR SEPARATE BARGAINING. FINMIN, WHO APPROVED HISTADRUT WAGE POLICY, HAS THREATENED PRICE INCREASES (AS HE HAS PREVIOUSLY) IF WAGE SETTLEMENTS EXCEED HISTADRUT POLICY GUIDELINES.

4. COMMENT. OFFICIAL HISTADRUT WAGE POLICY ESSENTIALLY SEEKS BALANCE BETWEEN GOVERNMENT PRESSURES FOR RESTRAINT AND MEMBERSHIP THRUST TO MAINTAIN PURCHASING POWER IN PERIOD OF STEEP INFLATION. STICKY ISSUE FOR HISTADRUT LEADERSHIP WILL BE TO KEEP UNIONS IN LINE WITH POLICY. SOME PROBLEMS MAY BE ANTICIPATED IN INDUSTRIES WHERE LABOR IS IN SHORT SUPPLY (SUCH AS METALS AND BUILDING) AND IN AREAS NOTED FOR AGGRESSIVE UNION BARGAINING (SUCH AS PORTS, BANKS, EL AL). WITH INFLATION OF 35-40 PERCENT EXPECTED THIS YEAR DUE TO VARIOUS INFLATIONARY FORCES IN ECONOMY, INCLUDING IMPROVED LINKAGE OF WAGES TO CONSUMER PRICE INDIEX, SUBSTANTIAL PORTION OF INCREASED WAGE PAYMENTS WILL BE ACCOUNTED FOR BY COST-OF-LIVING ALLOWANCE.
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